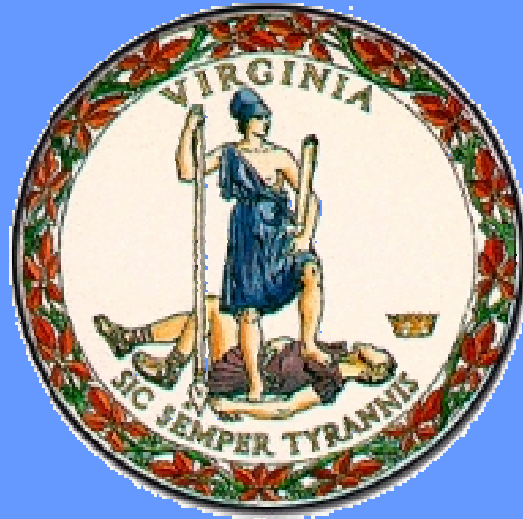


SB601

Medical Malpractice Program

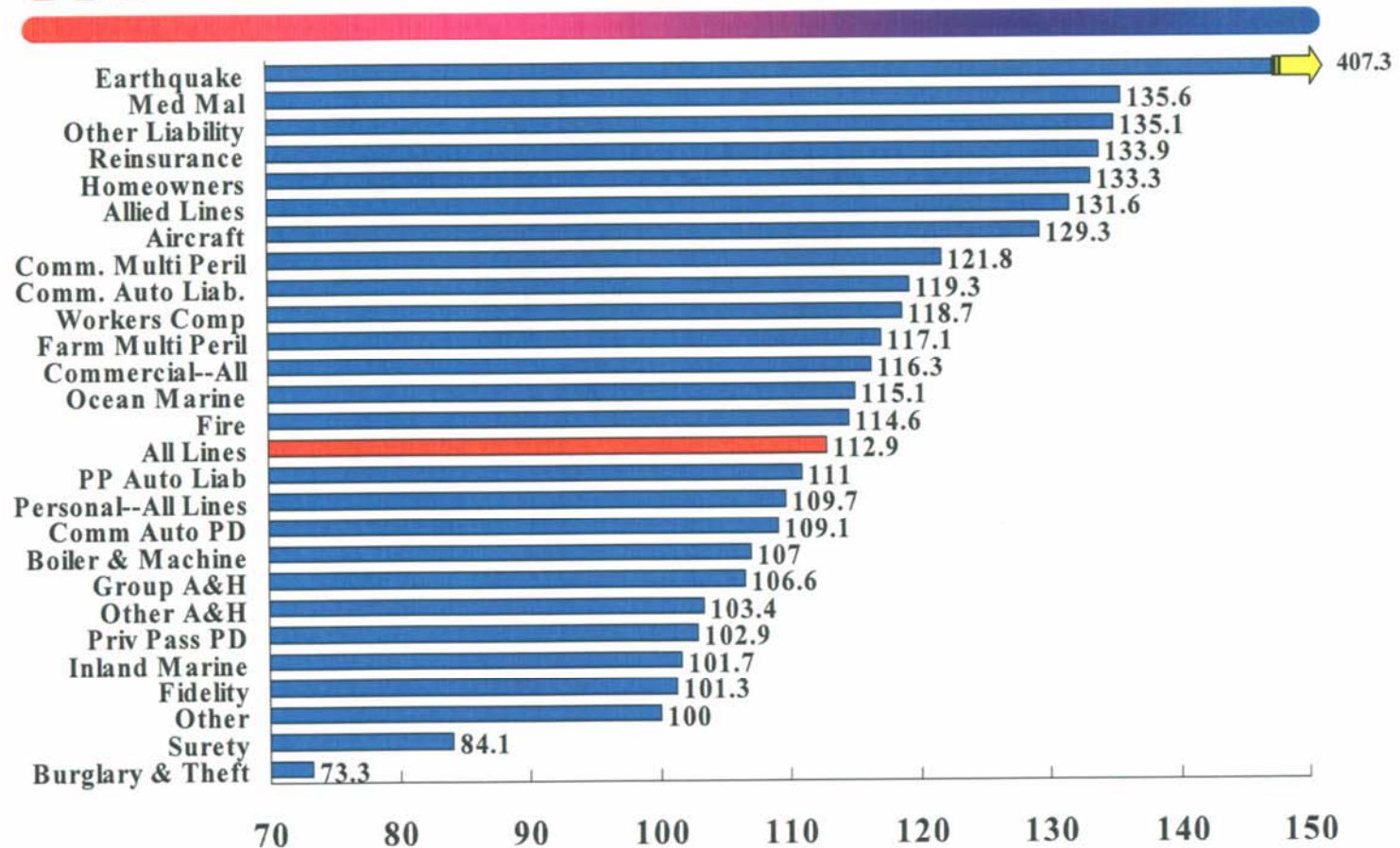


Department of the Treasury
Division of Risk Management

November 1, 2004



World's Most Dangerous Lines of Insurance (Combined Ratio + 1 Std. Deviation)



Source: Insurance Information Institute, calculated from A.M. Best combined ratio data 1992-2001.

INTRODUCTION

SB 601 authorizes the Department of the Treasury's Division of Risk Management to develop a program to insure physicians and sole community hospitals.

No physicians malpractice insurer is domiciled in Virginia.

This program will:

- Provide liability protection for Virginia's physicians and sole community hospitals.
- Be committed to providing a safety net for all eligible physicians and sole community hospitals until a strong competitive insurance marketplace is established.

ELIGIBILITY

- Physicians
- Employees of the Physician
- Sole Community Hospitals as Defined in §1886(d)5(d)(iii)
- Professional Medical Business Entities

PHYSICIANS' CRITERIA

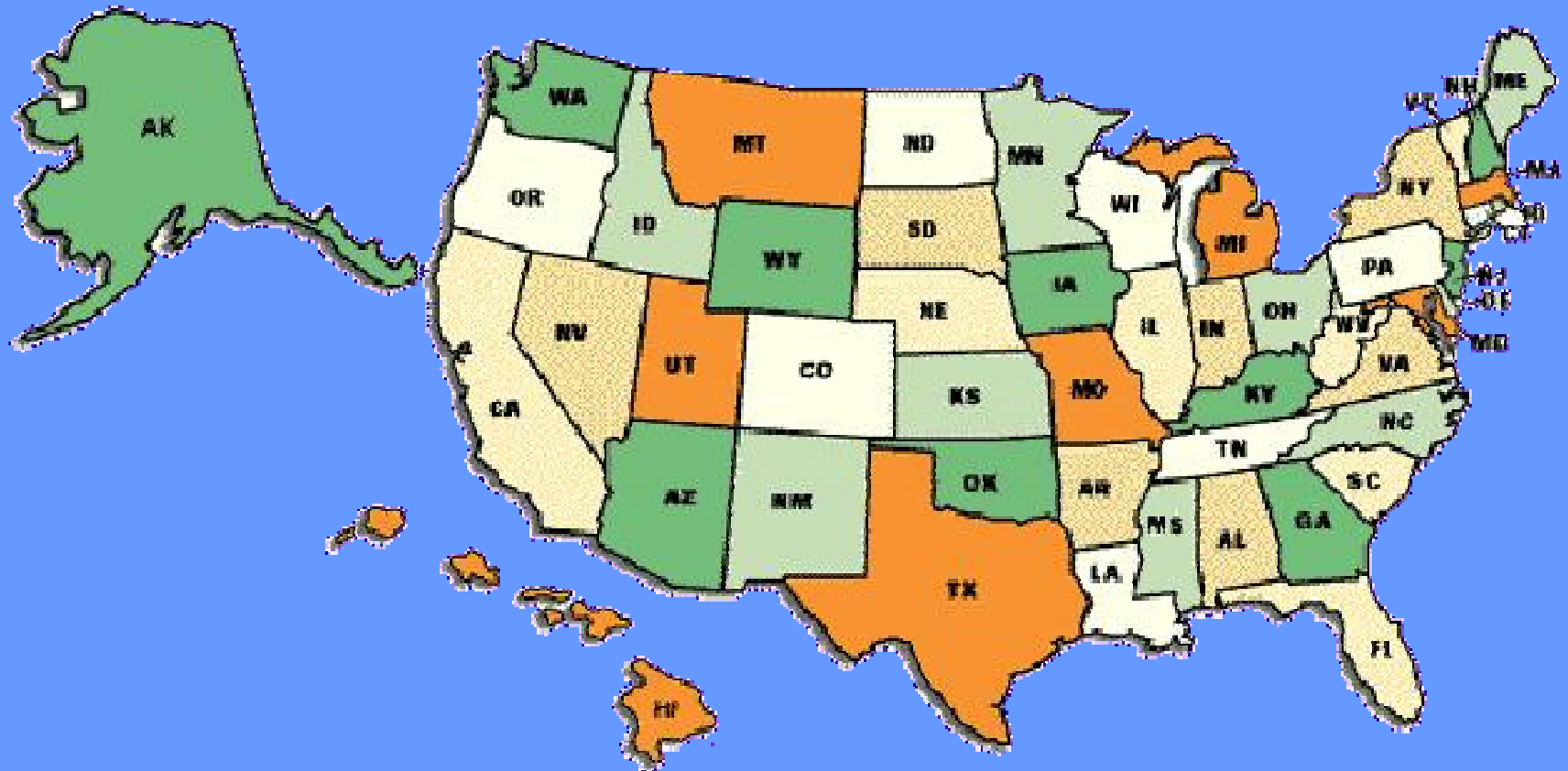
- a. Majority of practice in Virginia,
- b. Participate in Medicaid program or provide health care to patient clinics referenced in § 2.2-1839,
- c. Participate in the Virginia Birth Related Neurological Injury Fund, if eligible,
- d. Have active hospital privileges or participate in quality assurance committees established in § 8.01-581.7,
- e. Participate at own expense with a medical risk management program,
- f. Agree with Division of Risk Management's authority to assess and assign its policy, and
- g. Fulfill other criteria as established by the Division of Risk Management.

COVERAGE

- Claims Made
- Prior Acts Coverage
- Extended Reporting Coverage
- General liability insurance on an occurrence basis for sole community hospitals

The General Fund
is ultimately responsible.

OTHER STATE'S EXPERIENCE



STATE GOVERNMENT MEDICAL MALPRACTICE PROGRAMS

	Florida	Minnesota	Mississippi	Missouri	Nevada	New Hampshire	Pennsylvania	Rhode Island	South Carolina	Texas	West Virginia
Activation Date	1975	1985	2003	2004	2002	1975	1976	1976	1975	1975	2001
Total Annual Premiums	N/A	N/A	\$3,800,000	\$1,000,000	\$16,000,000	\$5,900,000	N/A	\$5,627,000	\$40,000,000	\$75,000,000	\$40,000,000
Insured Physicians	1,080	101	299	3	800	432	1,600	217	8,000	3,000	1,400
Insured Hospitals	4	246	13	6	N/A	38	46	92	N/A	300	6
Form of Coverage	Claims made & occurrence	Claims Made	Claims Made	Occurrence	Claims Made	Claims made & occurrence	Occurrence	Claims made & occurrence	Occurrence	Occurrence	Claims Made
Financial Condition	N/A	N/A	Early, but rate adequate	Early, but rate adequate	Early, but rate adequate	Large Surplus	N/A	Large Surplus	Deficit, but Stabilizing	Surplus	N/A
Percent of Market Share	3%	N/A	8%	N/A	15.2%	N/A	10.93%	N/A	70%	N/A	66%
Residual or Competitive Market	N/A	N/A	Residual	Residual	Competitive	Residual	N/A	Residual	Competitive	N/A	Residual

SUCCESS

- ✓ **Adequate Initial Funding**
- ✓ **Control of Legal Defense**
- ✓ **Integrity of Fund**

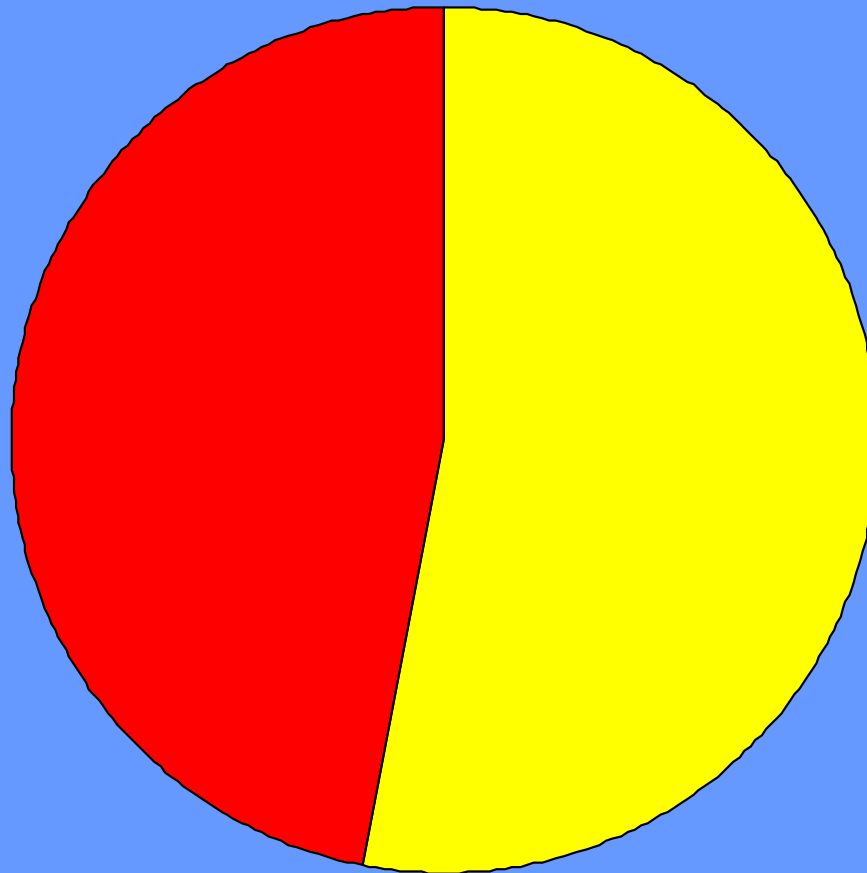
FUNDING

- Adequate initial funding to sustain program while sufficient premium revenue builds:

\$2,000,000

WHERE THE COMMONWEALTH'S MEDICAL MALPRACTICE DOLLAR GOES (1991 - 2004)

47% to Defense
Costs



53%
to Claimants

The Fund must be protected from transfers
by the Executive and Legislative Branches.

TIMELINE

90-120 Days to Establish

ISSUES

- Control defense costs
- Protect integrity of the Fund

Will the plan pay
agent commissions?

- Clarify Long-term policy:

Sunset Clause

Dissolution

Reorganization

Assignment when market permits

No dramatic reduction in
premium is anticipated.

The Division of Risk Management is ready, willing and able to provide the administration.